

STATE OF SOUTH CAROLINA
OFFICE OF STATE TREASURER

GRADY L. PATTERSON, JR.
STATE TREASURER



P.O. DRAWER 11778
COLUMBIA, SC 29211
TEL. (803) 734-2101

118 WADE HAMPTON OFFICE BUILDING
COLUMBIA, SC 29201

October 1, 2005

The Honorable Mark Sanford
Governor, State of South Carolina
Members of the General Assembly of South Carolina

Dear Governor and Members:

As Custodian of funds for the South Carolina Retirement Systems (SCRS), I am pleased to submit information on the SCRS investments for Fiscal Year ended June 30, 2005. The results attained for this year in the aggregate fixed income and equity portfolio were 7.02 percent and were 8.22 percent for the three year time period, 6.51 percent for the five year period and 6.86 percent for the ten year period.

As of fiscal year end, the equity portion of the portfolio had grown to 44 percent with half of this invested in a passively managed account and the remainder in actively managed accounts. The equity allocation returned 7.24 percent for the fiscal year ending June 30, 2005, besting the S&P 500 Index which returned 6.32 percent but lagging the Russell 3000 Index, which returned 8.06 percent. The equity portfolio return was 8.89 percent for the three year time period and a negative 0.29 percent for the five year period.

The State Treasurer's Office, with the assistance of a fixed income investment consultant, seeks the best market opportunities. This relationship continues to perform exceptionally well, besting the market indices and our private sector peers, at a fraction of the cost. This year was another challenging year for the bond market as we saw the Federal Reserve continue to raise interest rates 200 basis points during the fiscal year. While it appears as though the majority of the interest rate increases are behind us, it is anticipated that Chairman Greenspan and the Federal Reserve Board will continue to raise rates into fiscal year 2006 as the Federal Reserve Board attempts to stem the resurgence of inflation. The return for this past fiscal year was 6.87 percent, exceeding our benchmark, the Lehman Aggregate Index, which returned 6.80 percent. The return for the fixed income portfolio was 6.59 percent for the three year time period, 7.76 percent for the five year period and 7.42 percent for the ten year period.

Given our economy's ability to weather the challenging storms of the past few years, we are cautiously optimistic about the prospects for the future. We expect the SCRS funds to continue to perform at better than market levels this upcoming year. That expectation is soundly based on our history of prudent, conservative investments.

As Custodian of funds, it gives me great pleasure to provide this information.

Sincerely,

A handwritten signature in black ink, reading "Grady L. Patterson, Jr.".

Grady L. Patterson, Jr.
State Treasurer

MERCER

Investment Consulting

3475 Piedmont Road, NE, Suite 800
Atlanta, GA 30305-2886
404 442 3100 Fax 404 442 3300
www.mercerIC.com

November 9, 2005

The Honorable Mark Sanford, Governor
Members of the State Budget and Control Board
State of South Carolina
Columbia, South Carolina 29211

Gentlemen:

The fiscal year ended June 30, 2005 represented the sixth year of equity investment for the four pension systems: the South Carolina Retirement System, Retirement System for Members of the General Assembly, Retirement System for Judges and Solicitors, and the Police Officers Retirement System (collectively referred to as "Systems"). At the start of the fiscal year, the Systems were at their target allocation of 40% (as a percent of the total portfolio) for equities. Mercer Investment Consulting, Inc. ("Mercer") has been honored to serve as the consultant to the Systems, and to the two groups responsible for the oversight and implementation of the equity program, the Budget and Control Board, and the Board's designated State Retirement Systems Investment Panel.

The Statement of Investment Objectives and Policies (SIP) covers the general guidelines and goals for the investment of the Systems' assets. The equity investment program is implemented through an Annual Investment Plan (AIP) which details the asset allocation between active management and passive management, between large-cap equity and small-cap equity, between styles of equity management (growth, value, and core) and between individual managers. Additionally, the AIP sets forth rebalancing procedures, permissible investments and benchmarks for performance evaluation. Each fiscal year, the goals, objectives and policies of the equity investment program are reviewed and updated to ensure that the equity portfolio is managed to achieve the goals of the Systems with appropriate fiduciary oversight. The SIP and AIP are updated to be consistent with any changes in the management or structure of the equity portfolio.

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State of South Carolina

The equity portfolio market value (including accruals) grew to \$11.15 billion (up from \$10.4 billion at June 30, 2004) and is well diversified within the US equity market, utilizing sixteen active managers and two passive allocations. These managers are diversified by style and capitalization, as shown below:

	Growth	Core	Value	Passive	Total
Large Cap	\$1,425,034,863	\$989,512,858	\$969,278,758	\$5,512,721,143	\$8,896,547,622
Small-Mid Cap	\$792,083,596	\$622,004,009	\$838,428,172	\$0	\$2,252,515,776
Total	\$ 2,217,118,459	\$1,611,516,867	\$1,807,706,930	\$ 5,512,721,143	\$ 11,149,063,398

The equity market environment for the Fiscal Year 2005 was solid with the portfolio producing a 7.2% return and generating \$754 million in total gains for the year. This return was ahead of the “headline” index, the S&P 500, which had a return of 6.3%. The South Carolina Retirement Systems’ portfolio overweight to small-and mid-cap stocks helped the performance versus the large-cap S&P 500. The portfolio remains well ahead of the S&P 500 for longer-term periods, with the six-year return since inception of the equity program a full 2.2% ahead of the benchmark with a positive total return of 1.3% per year (the S&P 500 declined 0.9% per year for the six years ended June 30, 2005).

The equity portfolio remained close to its overall targets at June 30, as set forth in the AIP. During the year, the portfolio’s allocation to small cap equity was increased from 15% to 20% of the total equity portfolio. Additionally, the Board balanced the allocations between large cap growth managers and value managers and added new managers to the small cap lineup in both the growth and value disciplines. At the end of the fiscal year, the Board was completing a review of the active large cap portfolio that would add new investment managers and improve the risk profile of the large cap portfolio. These changes are part of the Investment Panel and Budget & Control Board’s ongoing monitoring and evaluation of the SCRS Equity Program.

Mercer Investment Consulting, Inc., as the Systems’ consultant, is responsible for providing quarterly investment performance reports (prepared in accordance with the performance presentation standards promulgated by the Association of Investment Management & Research, or AIMR) to the Investment Panel, the Board, staff and other interested parties, which evaluate the performance of the Systems’ equity portfolio and managers. Performance is compared to market benchmarks and to other similar managers over various periods of time, and progress

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toward long-term goals and asset allocation is also monitored. These reports are prepared using data provided by the Systems' custodian and investment managers.

Mercer Investment Consulting, Inc. is registered with the SEC as an investment advisor and has been providing investment consulting services to plan sponsors since 1972. Mercer was selected as the consultant for the Systems through a Request for Proposal ("RFP") process and has served in that capacity since December 1998, and was re-appointed during the fiscal year.

Today Mercer serves over 500 plan sponsors and trustees, including several other state retirement systems. We look forward to continuing to assist the Budget and Control Board, the Investment Panel, and the State of South Carolina in further developing and monitoring its equity investment program and in maintaining the long-term focus set forth in the SIP and AIP.

Sincerely,



Jeffery J. Schutes
World Wide Partner
Mercer Investment Consulting, Inc.

Investment Section

South Carolina Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2005	\$ 22,517,910	5.69%	\$ 1,496,887	-14.93%
2004	21,305,463	6.69%	1,759,686	5.83%
2003	19,969,435	8.29%	1,662,781	876.48%
2002	18,440,327	-0.20%	170,284	-86.84%
2001	18,477,867	7.35%	1,293,997	63.33%
2000	17,212,697	4.31%	792,282	101.16%
1999	16,502,052	2.33%	393,856	-79.32%
1998	16,126,828	13.22%	1,904,740	57.12%
1997	14,244,260	9.04%	1,212,272	92.86%
1996	13,063,201	4.50%	628,562	-61.78%

Police Officers Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2005	\$ 2,796,872	6.52%	\$ 175,849	-17.13%
2004	2,625,710	7.90%	212,201	15.22%
2003	2,433,396	8.98%	184,177	886.48%
2002	2,232,967	1.44%	18,670	-87.52%
2001	2,201,277	9.49%	149,574	60.10%
2000	2,010,545	6.49%	93,425	75.27%
1999	1,887,931	4.54%	53,304	-74.37%
1998	1,805,884	15.13%	207,998	57.77%
1997	1,568,593	10.30%	131,834	90.02%
1996	1,422,163	6.50%	69,379	-58.41%

*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

Investment Section

General Assembly Retirement System

Summary of Investment Growth (Amounts expressed in thousands)

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2005	\$ 46,300	3.42%	\$ 3,238	-19.67%
2004	44,771	3.93%	4,031	0.65%
2003	43,078	5.09%	4,005	14,203.57%
2002	40,990	-3.51%	28	-99.07%
2001	42,482	5.16%	3,022	65.41%
2000	40,397	2.44%	1,827	54.83%
1999	39,435	1.79%	1,180	-72.79%
1998	38,742	10.94%	4,337	48.43%
1997	34,922	6.32%	2,922	79.70%
1996	32,846	1.00%	1,626	-60.91%

Judges and Solicitors Retirement System

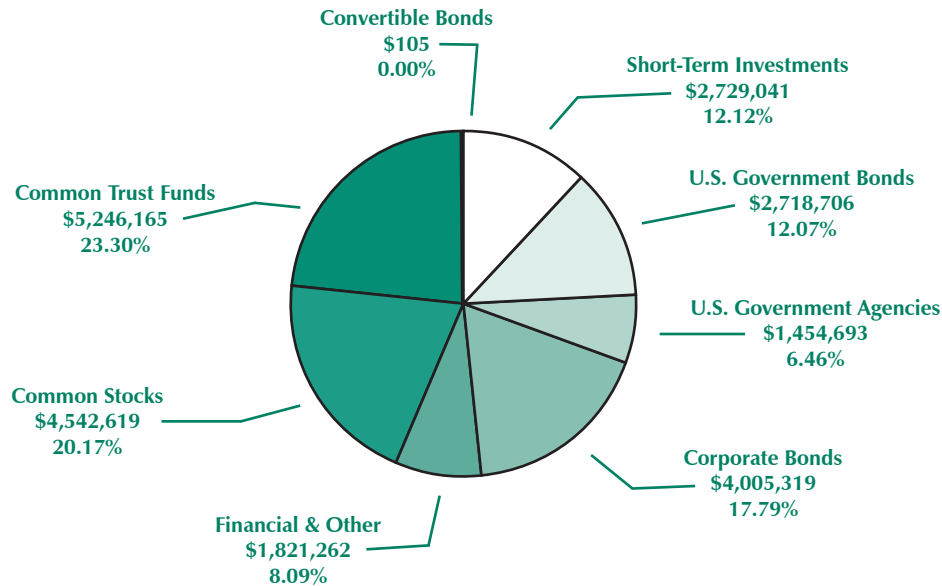
Summary of Investment Growth (Amounts expressed in thousands)

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2005	\$ 118,299	6.96%	\$ 8,148	-11.35%
2004	110,597	7.73%	9,191	4.50%
2003	102,657	8.70%	8,795	758.05%
2002	94,439	0.01%	1,025	-85.62%
2001	94,426	8.99%	7,128	88.02%
2000	86,637	4.13%	3,791	61.18%
1999	83,198	2.87%	2,352	-75.29%
1998	80,878	13.47%	9,520	60.03%
1997	71,276	9.53%	5,949	86.78%
1996	65,073	1.64%	3,185	-61.02%

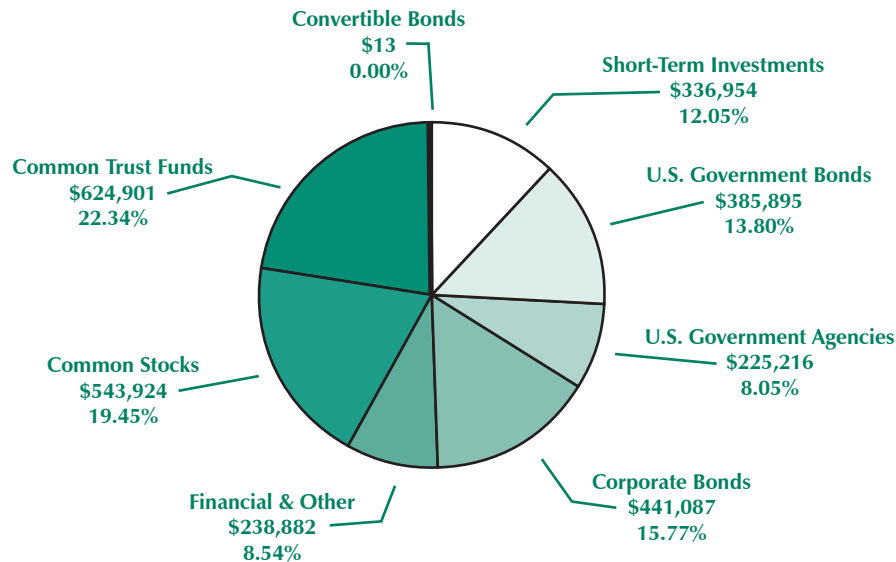
*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

Investment Section

South Carolina Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2005*



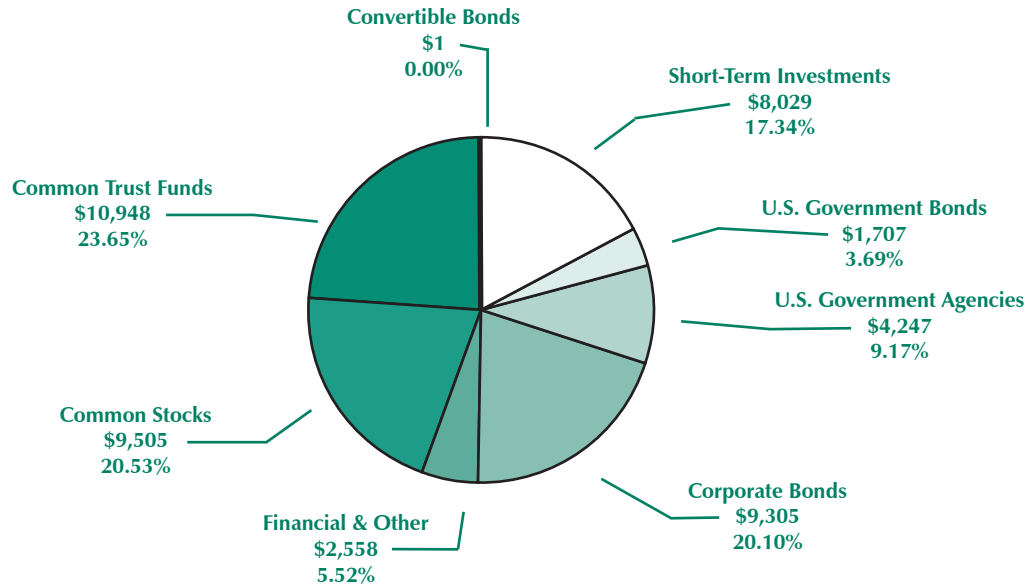
Police Officers Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2005*



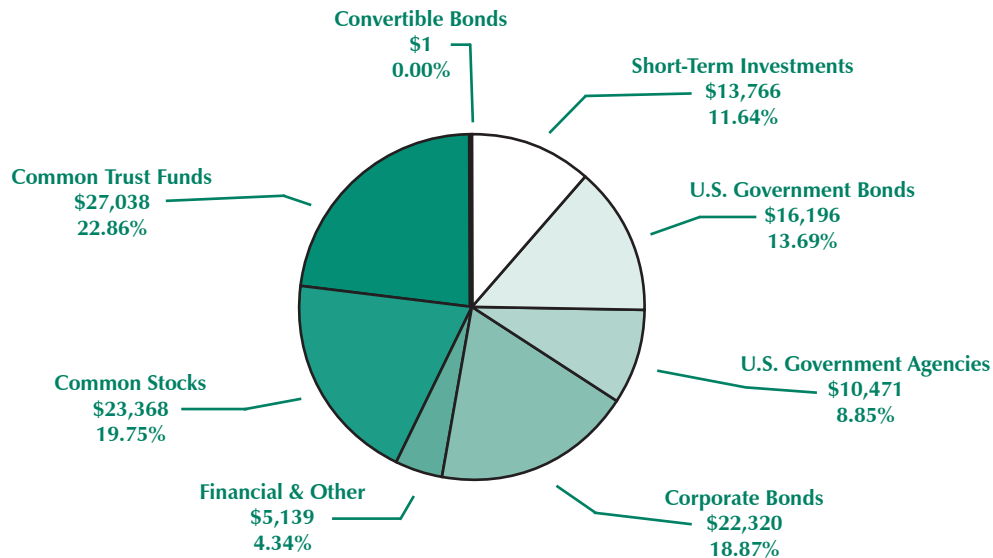
Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

Investment Section

General Assembly Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2005*



Judges and Solicitors Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2005*



Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

Investment Section

Summary of Market Value of Investments (Amounts expressed in thousands)

	South Carolina Retirement System			Police Officers Retirement System		
	<u>Market Value</u>		<u>% of</u>	<u>Market Value</u>		<u>% of</u>
	<u>06/30/2004</u>	<u>06/30/2005</u>	<u>Market Value</u> <u>at 06/30/05</u>	<u>06/30/2004</u>	<u>06/30/2005</u>	<u>Market Value</u> <u>at 06/30/05</u>
Short-Term Investments:						
Repurchase Agreements	\$ 2,139,800	\$ 2,325,557	10.33%	\$ 174,380	\$ 261,462	9.35%
Commercial Paper	304,989	133,626	0.59%	69,279	4,999	0.18%
Federal Agencies	525,076	269,858	1.20%	105,351	70,493	2.52%
	<u>2,969,865</u>	<u>2,729,041</u>	<u>12.12%</u>	<u>349,010</u>	<u>336,954</u>	<u>12.05%</u>
U.S. Government Agencies & Government Insured:						
Treasury Notes	119,345	1,624,521	7.21%	13,941	269,297	9.63%
Treasury Bonds	414,936	310,441	1.38%	48,118	31,841	1.14%
Treasury Bonds (Zero Coupons)	1,008,939	783,744	3.48%	102,775	84,757	3.03%
U.S. Government Agencies	1,665,523	1,426,938	6.34%	294,321	220,636	7.89%
Insured Marine Bonds	26,642	27,755	0.12%	4,717	4,580	0.16%
	<u>3,235,385</u>	<u>4,173,399</u>	<u>18.53%</u>	<u>463,872</u>	<u>611,111</u>	<u>21.85%</u>
Corporate Bonds:						
Industrials	2,006,601	2,047,270	9.09%	190,359	177,000	6.33%
Utilities	1,934,958	1,958,049	8.70%	274,560	264,087	9.44%
Financial & Other	2,046,082	1,821,262	8.09%	263,246	238,882	8.54%
	<u>5,987,641</u>	<u>5,826,581</u>	<u>25.88%</u>	<u>728,165</u>	<u>679,969</u>	<u>24.31%</u>
Convertible Bonds	<u>2,858</u>	<u>105</u>	<u>0.00%</u>	<u>348</u>	<u>13</u>	<u>0.00%</u>
	<u>2,858</u>	<u>105</u>	<u>0.00%</u>	<u>348</u>	<u>13</u>	<u>0.00%</u>
Common Stock	<u>4,406,512</u>	<u>4,542,619</u>	<u>20.17%</u>	<u>528,133</u>	<u>543,924</u>	<u>19.45%</u>
	<u>4,406,512</u>	<u>4,542,619</u>	<u>20.17%</u>	<u>528,133</u>	<u>543,924</u>	<u>19.45%</u>
Convertible Preferred Stock	<u>361</u>	<u>-</u>	<u>0.00%</u>	<u>44</u>	<u>-</u>	<u>0.00%</u>
	<u>361</u>	<u>-</u>	<u>0.00%</u>	<u>44</u>	<u>-</u>	<u>0.00%</u>
Common Trust Funds	<u>4,702,841</u>	<u>5,246,165</u>	<u>23.30%</u>	<u>556,138</u>	<u>624,901</u>	<u>22.34%</u>
	<u>4,702,841</u>	<u>5,246,165</u>	<u>23.30%</u>	<u>556,138</u>	<u>624,901</u>	<u>22.34%</u>
Total Investments	<u>\$ 21,305,463</u>	<u>\$ 22,517,910</u>	<u>100.00%</u>	<u>\$ 2,625,710</u>	<u>\$ 2,796,872</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.

Investment Section

Summary of Market Value of Investments (Amounts expressed in thousands)

	General Assembly Retirement System			Judges and Solicitors Retirement System		
	<u>Market Value</u>		<u>% of</u>	<u>Market Value</u>		<u>% of</u>
	<u>06/30/2004</u>	<u>06/30/2005</u>	<u>Market Value</u> <u>at 06/30/05</u>	<u>06/30/2004</u>	<u>06/30/2005</u>	<u>Market Value</u> <u>at 06/30/05</u>
Short-Term Investments:						
Repurchase Agreements	\$ 4,425	\$ 8,029	17.34%	\$ 15,980	\$ 13,264	11.21%
Commercial Paper	-	-	-	-	-	-
Federal Agencies	-	-	-	-	502	0.43%
	<u>4,425</u>	<u>8,029</u>	<u>17.34%</u>	<u>15,980</u>	<u>13,766</u>	<u>11.64%</u>
U.S. Government Agencies & Government Insured:						
Treasury Notes	-	499	1.08%	500	15,448	13.06%
Treasury Bonds	1,928	1,208	2.61%	1,020	748	0.63%
Treasury Bonds (Zero Coupons)	-	-	-	-	-	-
U.S. Government Agencies	3,747	4,247	9.17%	11,412	10,471	8.85%
Insured Marine Bonds	-	-	-	-	-	-
	<u>5,675</u>	<u>5,954</u>	<u>12.86%</u>	<u>12,932</u>	<u>26,667</u>	<u>22.54%</u>
Corporate Bonds:						
Industrials	4,873	4,272	9.23%	12,117	9,414	7.96%
Utilities	4,930	5,033	10.87%	13,530	12,906	10.91%
Financial & Other	3,865	2,558	5.52%	9,150	5,139	4.34%
	<u>13,668</u>	<u>11,863</u>	<u>25.62%</u>	<u>34,797</u>	<u>27,459</u>	<u>23.21%</u>
Convertible Bonds	<u>6</u>	<u>1</u>	<u>0.00%</u>	<u>15</u>	<u>1</u>	<u>0.00%</u>
	<u>6</u>	<u>1</u>	<u>0.00%</u>	<u>15</u>	<u>1</u>	<u>0.00%</u>
Common Stock	<u>10,164</u>	<u>9,505</u>	<u>20.53%</u>	<u>22,738</u>	<u>23,368</u>	<u>19.75%</u>
	<u>10,164</u>	<u>9,505</u>	<u>20.53%</u>	<u>22,738</u>	<u>23,368</u>	<u>19.75%</u>
Convertible Preferred Stock	<u>1</u>	<u>-</u>	<u>0.00%</u>	<u>2</u>	<u>-</u>	<u>0.00%</u>
	<u>1</u>	<u>-</u>	<u>0.00%</u>	<u>2</u>	<u>-</u>	<u>0.00%</u>
Common Trust Funds	<u>10,832</u>	<u>10,948</u>	<u>23.65%</u>	<u>24,133</u>	<u>27,038</u>	<u>22.86%</u>
	<u>10,832</u>	<u>10,948</u>	<u>23.65%</u>	<u>24,133</u>	<u>27,038</u>	<u>22.86%</u>
Total Investments	<u>\$ 44,771</u>	<u>\$ 46,300</u>	<u>100.00%</u>	<u>\$ 110,597</u>	<u>\$ 118,299</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.

Investment Section

South Carolina Retirement System List of Largest Assets Held

As of June 30, 2005, SCRS held units in the following common trust funds:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
22,327,473	State Street Global Advisors (S&P 500 equity index fund)	\$ 4,894,226,807
2,792,373	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	351,938,403
		\$ 5,246,165,210

Top ten equity holdings in actively managed separate accounts at June 30, 2005:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
2,209,477	General Electric Co	\$ 76,558,370
1,293,442	Citigroup Inc	59,795,826
1,050,352	Bank of America Corp	47,906,540
574,324	Genentech Inc	46,106,704
909,079	Halliburton Co	43,472,178
754,666	Exxon Mobil Corp	43,370,629
1,671,914	Microsoft Corp	41,530,346
138,964	Google Inc	40,876,141
701,566	American International Group Inc	40,761,006
610,108	Johnson & Johnson	39,657,013
	Total	\$ 480,034,753

Top ten fixed income holdings at June 30, 2005:

<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 470,000,000	U.S. Treasury Notes 1.625% due 10/31/05	\$ 467,466,700
400,000,000	U.S. Treasury Notes 1.625% due 02/28/06	395,264,000
286,800,000	BECCS (Treasury 12.75% due 11/15/10-05)	283,017,108
291,350,000	BECCS (Treasury 14% due 11/15/11-06)	276,348,389
250,000,000	U.S. Treasury Notes 1.50% due 07/31/05	249,657,500
230,200,000	BECCS (Treasury 13.875% due 05/15/11-06)	222,916,472
215,000,000	U.S. Treasury Notes 1.875% due 01/31/06	213,101,550
200,000,000	Federal Home Loan Bank 4% due 06/13/07	200,125,000
150,000,000	GNMA #604046 5.50% due 02/15/33	153,354,000
150,000,000	U.S. Treasury Notes 2% due 08/31/05	149,701,500
	Total	\$ 2,610,952,219

Note: A complete list of portfolio holdings is available upon request.

Investment Section

Police Officers Retirement System List of Largest Assets Held

As of June 30, 2005, PORS held units in the following common trust funds:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
2,659,888	State Street Global Advisors (S&P 500 equity index fund)	\$ 583,052,938
332,035	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	41,848,263
		\$ 624,901,201

Top ten equity holdings in actively managed separate accounts at June 30, 2005:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
262,714	General Electric Co	\$ 9,103,026
153,794	Citigroup Inc	7,109,908
124,890	Bank of America Corp	5,696,235
68,289	Genentech Inc	5,482,229
108,092	Halliburton Co	5,168,976
89,732	Exxon Mobil Corp	5,156,901
198,796	Microsoft Corp	4,938,086
16,523	Google Inc	4,860,299
83,418	American International Group Inc	4,846,609
72,544	Johnson & Johnson	4,715,341
	Total	\$ 57,077,610

Top ten fixed income holdings at June 30, 2005:

<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 99,000,000	U.S. Treasury Notes 1.625% due 10/31/05	\$ 98,466,390
67,000,000	U.S. Treasury Notes 1.50% due 07/31/05	66,903,210
55,000,000	U.S. Treasury Notes 1.875% due 01/31/06	54,514,350
50,000,000	U.S. Treasury Notes 1.625% due 02/28/06	49,408,000
48,900,000	BECCS (Treasury 14% due 11/15/11-06)	46,382,139
33,000,000	BECCS (Treasury 12.75% due 11/15/10-05)	32,564,730
25,000,000	Federal Home Loan Bank 4% due 06/13/07	25,015,625
14,826,124	GNMA #605267 5.50% due 06/15/34	15,155,561
15,000,000	Federal Home Loan Bank 3.50% due 04/13/07	15,061,650
13,024,684	GNMA #605385 5.50% due 04/15/34	13,314,092
	Total	\$ 416,785,747

Note: A complete list of portfolio holdings is available upon request.

Investment Section

General Assembly Retirement System List of Largest Assets Held

As of June 30, 2005, GARS held units in the following common trust funds:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
46,595	State Street Global Advisors (S&P 500 equity index fund)	\$ 10,213,833
5,821	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	733,683
		<u>\$ 10,947,516</u>

Top ten equity holdings in actively managed separate accounts at June 30, 2005:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
4,773	General Electric Co	\$ 165,389
2,794	Citigroup Inc	129,177
2,269	Bank of America Corp	103,493
1,241	Genentech Inc	99,604
1,964	Halliburton Co	93,913
1,630	Exxon Mobil Corp	93,694
3,612	Microsoft Corp	89,718
300	Google Inc	88,305
1,516	American International Group Inc	88,056
1,318	Johnson & Johnson	85,671
	Total	<u><u>\$ 1,037,020</u></u>

Top ten fixed income holdings at June 30, 2005:

<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 1,324,144	GNMA #419409 7.625% due 10/15/21	\$ 1,359,817
1,000,000	Federal Home Loan Bank 3.35% due 02/22/07	998,340
500,000	U.S. Treasury Bonds 9.125% due 05/15/18	747,990
700,000	Southern New England Tel Co 7.25% due 12/15/33	730,163
500,000	AT&T Broadband Corp 9.455% due 11/15/22	707,315
500,000	Coca Cola 8% due 9/15/22	659,830
500,000	Massachusetts Mutual Life Insurance Co 7.625% due 11/15/23	641,563
500,000	Sherwin Williams Co 7.375% due 2/1/27	630,430
500,000	Federal Farm Credit Bank 9.80% due 07/20/09	608,445
500,000	Waste Management 8.75% due 05/01/18	550,770
	Total	<u><u>\$ 7,634,663</u></u>

Note: A complete list of portfolio holdings is available upon request.

Investment Section

Judges and Solicitors Retirement System List of Largest Assets Held

As of June 30, 2005, JSRS held units in the following common trust funds:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
115,088	State Street Global Advisors (S&P 500 equity index fund)	\$ 25,227,563
14,360	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	1,809,974
		<u><u>\$ 27,037,537</u></u>

Top ten equity holdings in actively managed separate accounts at June 30, 2005:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
11,337	General Electric Co	\$ 392,811
6,636	Citigroup Inc	306,804
5,389	Bank of America Corp	245,802
2,947	Genentech Inc	236,567
4,664	Halliburton Co	223,050
3,872	Exxon Mobil Corp	222,529
8,578	Microsoft Corp	213,087
713	Google Inc	209,730
3,600	American International Group Inc	209,139
3,130	Johnson & Johnson	203,475
	Total	<u><u>\$ 2,462,994</u></u>

Top ten fixed income holdings at June 30, 2005:

<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 7,750,000	U.S. Treasury Notes 1.50% due 07/31/05	\$ 7,739,383
7,750,000	U.S. Treasury Notes 1.625% due 10/31/05	7,708,228
2,780,611	GNMA #419411 7.625% due 10/15/21	2,855,521
2,000,000	Federal Home Loan Bank 3.35% due 02/22/07	1,996,680
1,000,000	Pedernales Electric 8.55% due 11/15/20	1,337,070
1,000,000	Massachusetts Mutual Life Insurance Co 7.625% due 11/15/23	1,283,125
1,000,000	McKesson Corp 7.65% due 03/01/27	1,252,310
1,000,000	Federal Farm Credit Bank 9.80% due 07/20/09	1,216,890
1,000,000	Archer Daniels Midland 6.625% due 05/1/29	1,196,350
1,000,000	Tampa Electric 6.875% due 06/15/12	1,131,060
	Total	<u><u>\$ 27,716,617</u></u>

Note: A complete list of portfolio holdings is available upon request.

Investment Section

South Carolina Retirement Systems Schedule of Investment Results

	Fiscal Years ended June 30,	91 Day Treasury Bill Index	Cash Segment Returns ¹	Lehman Aggregate (Fixed Benchmark)	Fixed Income Segment Returns	S&P 500 Equity Index (Equity Benchmark)	Equity Segment Returns ²	Consumer Price Index (CPI) ³	Actuarial Assumed Rate of Return	Total Portfolio Returns
SCRS	2005	2.15%	2.30%	6.80%	6.94%	6.32%	7.24%	2.53%	7.25%	7.03%
	2004	-	-	0.33%	1.47%	19.10%	20.88%	3.27%	7.25%	8.79%
	2003	-	-	10.40%	11.82%	0.25%	-0.40%	2.11%	7.25%	8.98%
	2002	-	-	8.63%	8.24%	-17.99%	-17.32%	1.07%	7.25%	0.91%
	2001	-	-	11.23%	10.90%	-14.83%	-7.75%	3.25%	7.25%	7.14%
	2000	-	-	4.56%	4.24%	7.25%	10.23%	3.73%	7.25%	4.77%
	1999	-	-	3.13%	2.30%	-	5.44%	1.96%	7.25%	2.42%
	1998	-	-	10.54%	15.06%	-	-	1.68%	7.25%	15.06%
	1997	-	-	8.16%	8.99%	-	-	2.30%	7.25%	8.99%
	1996	-	-	5.01%	5.29%	-	-	2.75%	7.25%	5.29%
	3-Year Annualized	1.55%	-	5.76%	6.66%	8.27%	8.89%	2.64%		8.28%
	5-Year Annualized	2.62%	-	7.41%	7.80%	-2.38%	-0.29%	2.44%		6.53%
	10-Year Annualized	3.97%	-	6.83%	7.44%	9.93%	-	2.46%		6.88%
PORS	2005	2.15%	2.34%	6.80%	6.26%	6.32%	7.24%	2.53%	7.25%	6.63%
	2004	-	-	0.33%	1.60%	19.10%	20.88%	3.27%	7.25%	8.64%
	2003	-	-	10.40%	10.45%	0.25%	-0.40%	2.11%	7.25%	8.32%
	2002	-	-	8.63%	8.15%	-17.99%	-17.32%	1.07%	7.25%	1.02%
	2001	-	-	11.23%	10.72%	-14.83%	-7.75%	3.25%	7.25%	7.09%
	2000	-	-	4.56%	4.40%	7.25%	10.23%	3.73%	7.25%	4.93%
	1999	-	-	3.13%	2.62%	-	5.44%	1.96%	7.25%	2.74%
	1998	-	-	10.54%	14.24%	-	-	1.68%	7.25%	14.24%
	1997	-	-	8.16%	8.77%	-	-	2.30%	7.25%	8.77%
	1996	-	-	5.01%	5.20%	-	-	2.75%	7.25%	5.20%
	3-Year Annualized	1.55%	-	5.76%	6.04%	8.27%	8.89%	2.64%		7.82%
	5-Year Annualized	2.62%	-	7.41%	7.39%	-2.38%	-0.29%	2.44%		6.28%
	10-Year Annualized	3.97%	-	6.83%	7.18%	9.93%	-	2.46%		6.69%

¹Effective July 1, 2004, a 2 percent (approximately) portion of the aggregate fixed income portfolio was segmented into a liquidity pool of short duration investments to more efficiently manage cash flows.

²Equity segment funded June 1999.

³Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time weighted rate of return based on the market rate of return in accordance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

Investment Section

South Carolina Retirement Systems Schedule of Investment Results

	Fiscal Years ended June 30,	91 Day Treasury Bill Index	Cash Segment Returns ¹	Lehman Aggregate (Fixed Benchmark)	Fixed Income Segment Returns	S&P 500 Equity Index (Equity Benchmark)	Equity Segment Returns ²	Consumer Price Index (CPI) ³	Actuarial Assumed Rate of Return	Total Portfolio Returns
GARS	2005	2.15%	1.99%	6.80%	7.83%	6.32%	7.24%	2.53%	7.25%	7.43%
	2004	-	-	0.33%	1.57%	19.10%	20.88%	3.27%	7.25%	9.41%
	2003	-	-	10.40%	13.85%	0.25%	-0.40%	2.11%	7.25%	10.49%
	2002	-	-	8.63%	7.51%	-17.99%	-17.32%	1.07%	7.25%	0.38%
	2001	-	-	11.23%	11.29%	-14.83%	-7.75%	3.25%	7.25%	7.28%
	2000	-	-	4.56%	4.29%	7.25%	10.23%	3.73%	7.25%	3.92%
	1999	-	-	3.13%	2.76%	-	5.44%	1.96%	7.25%	2.88%
	1998	-	-	10.54%	12.68%	-	-	1.68%	7.25%	12.68%
	1997	-	-	8.16%	8.49%	-	-	2.30%	7.25%	8.49%
	1996	-	-	5.01%	5.13%	-	-	2.75%	7.25%	5.13%
	3-Year Annualized	1.55%	-	5.76%	7.63%	8.27%	8.89%	2.64%		9.02%
	5-Year Annualized	2.62%	-	7.41%	8.32%	-2.38%	-0.29%	2.44%		6.90%
	10-Year Annualized	3.97%	-	6.83%	7.46%	9.93%	-	2.46%		6.89%
JSRS	2005	2.15%	1.90%	6.80%	7.43%	6.32%	7.24%	2.53%	7.25%	7.30%
	2004	-	-	0.33%	1.79%	19.10%	20.88%	3.27%	7.25%	9.02%
	2003	-	-	10.40%	12.07%	0.25%	-0.40%	2.11%	7.25%	9.42%
	2002	-	-	8.63%	8.38%	-17.99%	-17.32%	1.07%	7.25%	1.50%
	2001	-	-	11.23%	11.46%	-14.83%	-7.75%	3.25%	7.25%	7.66%
	2000	-	-	4.56%	3.08%	7.25%	10.23%	3.73%	7.25%	3.65%
	1999	-	-	3.13%	2.52%	-	5.44%	1.96%	7.25%	2.64%
	1998	-	-	10.54%	13.06%	-	-	1.68%	7.25%	13.06%
	1997	-	-	8.16%	8.70%	-	-	2.30%	7.25%	8.70%
	1996	-	-	5.01%	5.04%	-	-	2.75%	7.25%	5.04%
	3-Year Annualized	1.55%	-	5.76%	7.01%	8.27%	8.89%	2.64%		8.55%
	5-Year Annualized	2.62%	-	7.41%	8.16%	-2.38%	-0.29%	2.44%		6.93%
	10-Year Annualized	3.97%	-	6.83%	7.39%	9.93%	-	2.46%		6.85%

¹Effective July 1, 2004, a 2 percent (approximately) portion of the aggregate fixed income portfolio was segmented into a liquidity pool of short duration investments to more efficiently manage cash flows.

²Equity segment funded June 1999.

³Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time weighted rate of return based on the market rate of return in accordance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR).

Investment Section

South Carolina Retirement Systems Equity Performance Summary For the Periods Ended June 30, 2005

	<u>Quarter Return</u>	<u>One Year Return</u>	<u>Three Years Return</u>	<u>Five Years Return</u>
Total Equity Portfolio	2.41%	7.24%	8.89%	-0.29%
Total Equity Index	2.2%	7.6%	9.4%	-0.7%
Russell 3000 Index	2.2%	8.1%	9.5%	-1.4%
S&P 500 Index - Total Return Index (S&P Calc)	1.4%	6.3%	8.3%	-2.4%
Passive Equity				
State Street Global Advisors - S&P 500 Index Fund	1.4%	6.3%	8.3%	-2.3%
Rank vs. Mercer US Equity Large Cap Core Universe				
Mercer US Equity Large Cap Core Universe Median	1.7%	8.3%	9.0%	-0.6%
S&P 500 Index - Total Return Index (S&P Calc)	1.4%	6.3%	8.3%	-2.4%
Total Active Equity	3.5%	8.0%	9.3%	1.2%
Russell 3000 Index	2.2%	8.1%	9.5%	-1.4%
S&P 500 Index - Total Return Index (S&P Calc)	1.4%	6.3%	8.3%	-2.4%
Total Active Equity Index	2.9%	8.9%	10.5%	0.7%
Total Active Large Cap Equity	3.4%	6.1%	7.3%	0.0%
Rank vs. Mercer US Equity Large Cap Equity Universe				
Mercer US Equity Large Cap Equity Universe Median	1.9%	8.2%	9.2%	0.7%
Active Large Cap Equity Index	1.9%	7.6%	9.0%	-1.6%
Large Cap Core Equity	3.0%	8.8%	9.9%	-1.0%
Rank vs. Mercer US Equity Large Cap Core Universe				
Mercer US Equity Large Cap Core Universe Median	1.7%	8.3%	9.0%	-0.6%
S&P 500 Index - Total Return Index (S&P Calc)	1.4%	6.3%	8.3%	-2.4%
Large Cap Growth Equity	4.4%	2.6%	4.0%	-6.3%
Rank vs. Mercer US Equity Large Cap Growth Universe				
Mercer US Equity Large Cap Growth Universe Median	2.6%	4.2%	7.5%	-5.7%
Russell 1000 Growth Index	2.5%	1.7%	7.3%	-10.4%
Large Cap Value Equity	2.3%	7.5%	8.6%	5.9%
Rank vs. Mercer US Equity Large Cap Universe				
Mercer US Equity Large Cap Value Universe Median	1.8%	11.6%	10.9%	7.4%
Russell 1000 Value Index	1.7%	14.1%	11.0%	6.6%
Total Active Smaller Cap Equity	3.6%	12.4%	14.1%	4.1%
Rank vs. Mercer US Equity Small Cap Universe				
Mercer US Equity Smaller Cap Universe Median	4.0%	11.6%	14.5%	11.4%
Russell 2000 Index	4.3%	9.4%	12.8%	5.7%
Smaller Cap Equity Index	4.4%	10.8%	13.7%	6.4%
Smaller Cap Core Equity	5.6%	16.5%	14.9%	7.2%
Rank vs. Mercer US Equity Small Cap Universe				
Mercer US Equity Small Cap Universe Median	4.0%	11.6%	14.5%	11.4%
Russell 2000 Index	4.3%	9.4%	12.8%	5.7%
Smaller Cap Growth Equity	4.1%	8.1%	6.1%	-10.1%
Rank vs. Mercer US Equity Small Cap Growth Universe				
Mercer US Equity Small Cap Growth Universe Median	4.1%	6.6%	12.8%	-1.1%
Russell 2000 Growth Index	3.5%	4.3%	11.4%	-4.5%
Smaller Cap Value Equity	2.7%	13.0%	18.1%	13.6%
Rank vs. Mercer US Equity Small Cap Value Universe				
Mercer US Equity Small Cap Value Universe Median	3.8%	14.7%	15.7%	17.7%
Russell 2000 Value Index	5.1%	14.4%	14.2%	16.1%

Data provided by Mercer Investment Consulting, Inc.

Investment Section

South Carolina Retirement Systems Schedule of Investment Fees and Commissions For the Year Ended June 30, 2005

	Market Value of Assets under Management at June 30, 2005 ¹	Fees
Investment Managers' Fees:		
Equity Managers' Fees (amounts expressed in thousands)	\$ 11,157,283	\$ 19,787
Other Investment Service Fees:		
Bank Fees (amounts expressed in thousands)		1,910
Consultant Fees:		
Investment Consultant Fees (amounts expressed in thousands)		709
		\$ 22,406

Brokerage Firm	Number of Shares Traded	Commissions	Average Commissions per Share
Merrill Lynch Pierce Fenner & Smith	12,796,985	\$ 568,424	0.0444
Credit Suisse First Boston	14,186,287	526,655	0.0371
Goldman Sachs & Co.	11,851,130	495,792	0.0418
Lehman Brothers Inc. USA	12,081,193	481,929	0.0399
UBS Securities, LLC	10,396,008	439,515	0.0423
Citigroup Global Markets, Inc.	11,508,598	383,469	0.0333
Morgan Stanley & Co., Inc.	9,313,580	348,853	0.0375
Bear Stearns & Co., Inc.	7,879,847	340,241	0.0432
Wachovia Securities Capital Markets	6,295,210	302,638	0.0481
Banc of America Securities LLC	4,933,952	221,846	0.0450
JP Morgan Securities Inc.	4,913,186	204,600	0.0416
Sanford C. Bernstein & Co. LLC	4,408,105	176,241	0.0400
CIBC World Markets Corp.	3,701,435	168,362	0.0455
Deutsche Banc/Alex Brown Inc.	3,788,117	164,145	0.0433
First Clearing, LLC	3,691,775	159,284	0.0431
Jefferies & Co., Inc.	4,906,417	158,454	0.0323
Cantor, Fitzgerald & Co., Inc.	3,879,560	138,285	0.0356
Thomas Weisel Partners LLC	3,119,596	131,476	0.0421
Prudential Equity Group	2,751,490	123,534	0.0449
Baird, Robert W. & Co. Inc.	2,387,847	114,051	0.0478
Abel Noser Corporation	7,385,838	111,070	0.0150
Liquidnet Inc.	4,707,418	108,874	0.0231
Legg Mason Wood Walker, Inc.	2,274,956	105,810	0.0465
US Bancorp Piper Jaffray Inc.	2,204,660	97,844	0.0444
Pershing & Company	2,135,531	97,770	0.0458
Adams, Harkness & Hill Inc.	2,080,997	97,587	0.0469
National Financial Services Corp.	3,644,309	94,071	0.0258
S.G. Cowen & Co., LLC	1,951,615	88,620	0.0454
Bear Stearns Securities Corp.	2,983,725	88,385	0.0296
B-Trade Services, LLC	4,178,657	77,814	0.0186
Pacific Crest Securities	1,685,750	76,912	0.0456
UBS Financial Services, Inc.	1,522,900	76,145	0.0500
Weeden & Company	2,282,610	72,854	0.0319
McDonald Investments, Inc.	1,474,716	70,685	0.0479
Morgan Keegan & Co., Inc.	1,355,920	67,006	0.0494
RBC Dominion Securities Corp.	1,343,420	61,424	0.0457
Friedman, Billings & Ramsey	1,228,687	58,514	0.0476
Midwest Research Securities	1,223,303	56,154	0.0459
SunTrust Capital Markets Inc.	1,210,600	53,716	0.0444
Instinet Corporation	2,073,937	52,620	0.0254
All others ²	38,929,467	1,461,437	0.0375
	226,669,334	\$ 8,723,106	0.0385

Data provided by the Bank of New York.

¹Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

²Other brokers include 165 additional brokers each receiving less than \$50,000 in total commissions.

Investment Section

South Carolina Retirement Systems Schedule of Investment Managers and Fees for Equities For the Year Ended June 30, 2005 (Amounts expressed in thousands)

<u>Investment Manager</u>	<u>Style</u>	<u>Initial Funding Date</u>	<u>Market Value of Assets under Management at June 30, 2005¹</u>	<u>Fees</u>
State Street Global Advisors Boston, MA	Large Cap Passive S&P 500 Index Fund	June 16, 1999	\$ 5,512,722	\$ 154
Flippin, Bruce & Porter, Inc. Lynchburg, VA	Large Cap Value	March 2, 2000	482,796	1,216
Institutional Capital Corporation ² Chicago, IL	Large Cap Value	March 15, 2000	-	1,088
Alliance Capital Management L.P. New York, NY	Large Cap Value	May 3, 2000	485,938	978
Montag & Caldwell, Inc. Atlanta, GA	Large Cap Growth	May 8, 2000	633,590	1,177
Alliance Capital Management L.P. New York, NY	Large Cap Growth	July 2, 2001	799,436	1,246
Wellington Management Company, LLP Boston, MA	Large Cap Core	March 15, 2000	592,424	2,357
Barclays Global Investors, NA San Francisco, CA	Large Cap Core	April 16, 2004	396,330	1,011
State Street Global Advisors Boston, MA	Small/Mid Cap Passive Russell 2000 Index Fund	October 1, 2001	-	60
J.L. Kaplan Associates, LLC Boston, MA	Small Cap Value	October 29, 1999	283,730	1,633
Wells Capital Management, Inc. (Benson Associates, LLC) Portland, OR	Small Cap Value	October 1, 2002	282,713	1,606
Integrity Asset Management, Inc. ³ Louisville, KY	Small Cap Value	March 15, 2005	108,434	227
Thompson, Siegel & Walmsley, Inc. ⁴ Richmond, VA	Small Cap Value	March 15, 2005	165,231	317
TimesSquare Capital Management New York, NY	Small Cap Growth	October 1, 2002	257,817	2,167
Nicholas-Applegate Capital Management, Inc. ⁵ San Diego, CA	Small Cap Growth	December 31, 2004	219,019	574
Batterymarch Financial Management, Inc. ⁶ Boston, MA	Small Cap Growth	March 15, 2005	151,340	299
Turner Investment Partners, Inc. ⁷ Berwyn, PA	Small Cap Growth	March 15, 2005	165,017	345
The Boston Company Asset Management, LLC Boston, MA	Small Cap Core	November 17, 1999	327,481	1,681
Fidelity Management Trust Company Boston, MA	Small Cap Core	May 23, 2000	293,265	1,651
			<u>\$ 11,157,283</u>	<u>\$ 19,787</u>

¹Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

²The contract with Institutional Capital Corporation was terminated February 2005.

³Integrity Asset Management, Inc., was funded March 15, 2005.

⁴Thompson, Siegel & Walmsley, Inc., was funded March 15, 2005.

⁵Nicholas-Applegate Capital Management, Inc., was funded December 31, 2004.

⁶Batterymarch Financial Management, Inc., was funded March 15, 2005.

⁷Turner Investment Partners, Inc., was funded March 15, 2005.